



## U.S. Department of Justice

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### **NOTICE TO DEBTORS SUBMITTING REQUESTS FOR APPROVAL OF INSIDER COMPENSATION**

The Office of the United States Trustee has adopted modified procedures for obtaining approval of insider (formerly principal) compensation requests under Local Rule 2014(1). A debtor will be deemed by the United States Trustee to be in compliance with the Local Rule if the debtor submits to the United States Trustee a "Notice of Setting/Increasing Insider Compensation" for any insider, as defined by 11 U.S.C. § 101(31), including owners, partners, officers, directors, shareholders and relatives of insiders, who are receiving any form of compensation from Chapter 11 estate (Form USTLA-12). The debtor must serve the Notice on the creditors' committee or the 20 largest creditors if no committee has been appointed, and to any secured creditors that claim an interest in cash collateral, and provide proof of service to the United States Trustee.

In order to allow for the filing of objections to the payment of principal compensation, no compensation may be paid out to any insiders until 15 days after service of the Notice, although such compensation may be accrued during this period. If the proposal is to increase the amount of compensation or other remuneration, no such increase should be effective until 30 days after service of the Notice. In either case, if an objection is filed, it is advisable for the debtor to refrain from paying out the disputed compensation or increase until the objection has been resolved by the court.

The United States Trustee reviews compensation levels of insiders for indications of self-dealing or any other breach of the debtor's fiduciary duty to preserve the assets of the estate. If such a breach is determined to have occurred, the United States Trustee may file a motion to convert, dismiss or for a trustee, as appropriate.

The debtor in possession should not permit insider or principal compensation to accrue or be paid unless the estate is current on all expenses incurred in the regular course of its business, and is in full compliance with all United States Trustee requirements. The United States Trustee may move to dismiss or convert a case in which such payments are being made.